

# **MFM TECHINVEST SPECIAL SITUATIONS FUND**

## **PROSPECTUS**

This is the Prospectus of MFM Techinvest Special Situations Fund, prepared in accordance with Chapter 4 of the Financial Conduct Authority's Collective Investment Schemes Sourcebook (the "COLL Sourcebook") made under the Financial Services and Markets Act 2000 and complying with COLL 4.2.5 of the COLL Sourcebook.

**Valid as at 1<sup>st</sup> April 2019.**

<b>MANAGEMENT &amp; ADMINISTRATION .....</b>	<b>4</b>
CONSTITUTION .....	4
AUTHORISED CORPORATE DIRECTOR ("ACD") .....	4
DEPOSITARY OF THE FUND .....	5
INVESTMENT MANAGER.....	7
ADMINISTRATOR AND REGISTRAR .....	7
AUDITORS .....	7
<b>FURTHER DETAILS OF MFM TECHINVEST SPECIAL SITUATIONS FUND .....</b>	<b>8</b>
INVESTMENT OBJECTIVE .....	8
RISK FACTORS .....	8
<b>GENERAL INFORMATION .....</b>	<b>11</b>
THE FUND.....	11
WINDING UP.....	11
ACCOUNTING AND RECORD DATES.....	11
CHARACTERISTICS OF SHARES.....	11
Typical Investor.....	11
MEETINGS AND VOTING RIGHTS.....	12
OTHER INFORMATION.....	12
PAST PERFORMANCE.....	12
<b>VALUATION, CHARGES AND INCOME.....</b>	<b>14</b>
VALUATION OF PROPERTY .....	14
CHARGES AND OTHER EXPENSES.....	15
DILUTION LEVY .....	15
INITIAL CHARGE.....	16
PERIODIC CHARGE.....	16
<b>CUSTODY AND ACTIVITY FEES .....</b>	<b>17</b>
<b>OTHER EXPENSES.....</b>	<b>17</b>
REDEMPTION CHARGE.....	18
SWITCHING CHARGE.....	18
INCOME ALLOCATIONS .....	18
ISSUE AND REDEMPTION OF SHARES IN THE FUND.....	19
MANDATORY REDEMPTION, CANCELLATION OR CONVERSION OF SHARES .....	20
SWITCHING .....	21
<b>TAXATION .....</b>	<b>22</b>
TAXATION OF THE FUND.....	22
TAXATION OF THE SHAREHOLDER .....	22
<b>APPENDIX 1 – INVESTMENT AND BORROWING POWERS.....</b>	<b>24</b>
<b>APPENDIX 2 – ELIGIBLE MARKETS .....</b>	<b>46</b>
<b>APPENDIX 3 - FURTHER INFORMATION.....</b>	<b>47</b>
<b>APPENDIX 4 - DIRECTORY .....</b>	<b>49</b>
<b>APPENDIX 5 - LIST OF DEPOSITARY DELEGATES .....</b>	<b>50</b>

## **THIS PROSPECTUS IS IMPORTANT.**

### **IF YOU ARE IN ANY DOUBT AS TO THE MEANING OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS, YOU SHOULD CONSULT THE ACD OR YOUR FINANCIAL ADVISER.**

No person has been authorised by the Company or the ACD to give any information or to make any representations in connection with the offering of Shares other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been made by the Company or the ACD. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of shares.

The provisions of the Instrument of Incorporation are binding on each of the shareholders and a copy of the Instrument of Incorporation is available on request from Marlborough Fund Managers Limited.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by Marlborough Fund Managers Limited.

This Prospectus is based on information, law and practice as at the date "valid as at date" which appears on the front cover and below. The Company and ACD cannot be bound by a prospectus which is out of date when a new version has been issued and investors should check with Marlborough Fund Managers Limited that this is the most recently published prospectus.

## **US Tax Reporting**

The Company is required to comply with certain reporting requirements in order to avoid a 30% US withholding tax on interest income and the proceeds of sales of US securities and other US financial instruments. Complying with such requirements may require the Company to request certain information and documentation from Shareholders, and to agree to provide such information and documentation to the IRS if requested to do so. Any Shareholder that fails to provide the required information may be subject to a compulsory redemption of their shares and/or mandatory penalties.

Shares have not been and will not be registered under the United States Securities Act of 1933, as amended. They may not be offered or sold in the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia or offered or sold to US Persons (as defined below). The Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The ACD has not been and will not be registered under the United States Investment Advisers Act of 1940.

A "U.S Person" means any citizen or resident of the United States of America, its territories and possessions including the State and District of Columbia and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico), any corporation, trust, partnership or other entity created or organised in or under the laws of the United States of America, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person falling within the definition of the term "U.S Person" under Regulation S promulgated under the United States Securities Act of 1933.

This Prospectus is dated and valid as at 1<sup>st</sup> April 2019.

**Money Laundering** Obligations have been imposed on financial sector professionals to prevent the use of funds such as MFM Techninvest Special Situations Fund for the purpose of money-laundering. Within this context a procedure for the identification of persons buying or selling shares may be required. Any information collected is for money-laundering compliance purposes only.

Such identification procedure may be waived in the following circumstances:

- a) in the case of subscription through an intermediary of a financial sector professional resident in a country which imposes an identification obligation equivalent to that required under United Kingdom law for the prevention of money-laundering;
- b) in the case of subscription through an intermediary whose parent is subject to an identification obligation equivalent to that required by United Kingdom law and where the law applicable to the parent imposes an equivalent obligation on its subsidiaries or branches.

The ACD will, where possible, verify identity using information from credit reference agencies. Where this is not possible or where the ACD decides, at its own discretion, that it is appropriate further documentation will be requested.

## MANAGEMENT & ADMINISTRATION

### Constitution

MFM Techinvest Special Situations Fund ("the Fund") is an investment company with variable capital established pursuant to an authorisation order of the Financial Conduct Authority ("FCA") on 07 April 2005 with the Product Reference Number (PRN) 430281 and falls in the category of being a "UCITS scheme". The Fund is incorporated with registration number IC385 and shareholders are not liable for the debts of the Fund. The Head Office of the Fund is at Marlborough House, 59 Chorley New Road, Bolton BL1 4QP, which is also the address for service of notices or other documents required or authorised to be served on the Fund. The base currency of the Fund is pounds sterling.

### Authorised Corporate Director ("ACD")

Marlborough Fund Managers Limited  
Registered Office: Marlborough House, 59 Chorley New Road, Bolton BL1 4QP  
Telephone: 0808 145 2500  
Fax: 01204 398676  
E-mail: [enquiries@marlboroughfunds.com](mailto:enquiries@marlboroughfunds.com)

A company limited by shares incorporated in England and Wales on 03 October 1986. Share Capital £50,000 issued and fully paid.

The ACD's ultimate holding company is UFC Fund Management Plc, a public company incorporated in England and Wales.

The ACD is the sole director of the Fund.

The terms of the ACD Agreement dated 1 January 2010 between the Fund and the ACD provide that the ACD should manage and administer the Fund in accordance with the terms of the COLL Sourcebook as amended or replaced from time to time or equivalent regulations issued by the FCA or other appropriate authority and the Open-Ended Investment Companies Regulations 2001 as amended or replaced from time to time (together, the "Regulations"), the Instrument of Incorporation and this Prospectus.

The ACD Agreement may be terminated by either party after the expiry of three years from the date of incorporation of the Fund on not less than twelve months written notice or earlier upon the happening of certain specified events. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Fund or any shareholder for any act or omission except in the case of negligence, wilful default, breach of duty or breach of trust in relation to the Fund on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, breach of duty or breach of trust in the performance of its duties and obligations.

### Remuneration Policy

The ACD has put in place a remuneration policy (the "Remuneration Policy") that is in accordance with the requirements of SYSC 19 E of the FCA. The Remuneration Policy is designed to ensure that the ACD's remuneration practices are consistent with and promote sound and effective risk management, do not encourage risk taking and are consistent with the risk profile of the Funds. The ACD considers the Remuneration Policy to be appropriate to the size, internal operations, nature scale and complexity of the Funds and in line with the risk profile, risk appetite and the strategy of the Funds.

The matters covered by the Remuneration Policy include:

- An assessment of the individual member of staff's performance;
- restrictions on the awarding of guaranteed variable remuneration;
- the balance between fixed and variable remuneration;
- any payment of remuneration in the form of units or shares in the Funds;
- any mandatory deferral periods for the payment of some or all of the variable remuneration component;
- the reduction or cancellation of remuneration in the case of under performance.

The Remuneration Policy will apply to the fixed and variable (if any) remuneration received by the identified staff.

The ACD will make details of its latest Remuneration Policy available on its website, [www.marlboroughfunds.com](http://www.marlboroughfunds.com), including a description of how remuneration and benefits are calculated and the identity of the persons responsible for awarding the remuneration and benefits. The ACD will provide paper copies free of charge upon written request to its operating address.

In respect of any investment management delegates, the ACD requires that: (i) the entities to which such activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the European Securities and Market's (ESMA's) Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD / Article 14 of the UCITS Directive; or (ii) appropriate contractual arrangements are put in place with entities to which such activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines or the FCA Handbook.

## **Depositary of the Fund**

### *Terms of appointment*

Pursuant to the agreement dated 18th March 2016 between the Fund, the ACD and the Depositary (the "Depositary Services Agreement") and for the purposes of and in compliance with the Regulations, the Depositary has been appointed as the Depositary to the Fund. The appointment of the Depositary under the Depositary Services Agreement may be terminated without cause by not less than 6 months written notice provided that the Depositary Services Agreement does not terminate until a replacement Depositary has been appointed.

The Depositary, HSBC Bank plc, is a public limited company incorporated in England and Wales with company registration number 00014259. HSBC Bank plc is a wholly owned subsidiary of HSBC Holdings plc. The Depositary's registered and head office is located at 8 Canada Square, London E14 5HQ and the principal business activity of the Depositary is the provision of financial services, including trustee and depositary services. The Depositary is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

The fees to which the Depositary is entitled are set out below under the heading "Periodic Charge".

### *Key Duties of the Depositary*

The Depositary provides services to the Fund as set out in the Depositary Services Agreement and, in doing so, shall comply with the Regulations. The Depositary's duties include the following:

- (i) ensuring that the Fund's cash flows are properly monitored and that all payments made by or on behalf of applicants upon the subscription to shares of the Fund have been received.
- (ii) safekeeping of the Scheme Property, which includes (i) holding in custody all financial instruments that can be registered in a financial instrument account opened in the Depositary's books and all financial instruments that can be physically delivered to the Depositary; and (ii) verifying the ownership of other assets and maintaining records accordingly.
- (iii) ensuring that issues, redemptions and cancellations of the shares of each Fund are carried out in accordance with the Instrument of Incorporation, the Prospectus and the Regulations.
- (iv) ensuring that in transactions involving Scheme Property any consideration is remitted to the Fund within the usual time limits.
- (v) ensuring that the value of the shares of the Fund is calculated in accordance with the Regulations.
- (vi) carrying out the instructions of the ACD unless they conflict with the Instrument of Incorporation, the Prospectus or the Regulations.
- (vii) ensuring that a Fund's income is applied in accordance with the Regulations.

### *Delegation of safekeeping function*

The Depositary may delegate its safekeeping functions subject to the terms of the Depositary Services Agreement. The Depositary has delegated to a number of delegates the custody of certain Scheme Property entrusted to the Depositary for safekeeping in accordance with the terms of written agreements between the Depositary and those delegates.

A list of delegates is set out in Appendix 5. Shareholders should note that the list of delegates is updated only at each Prospectus review.

### *Conflicts*

From time to time actual or potential conflicts of interest may arise between the Depositary and its delegates. For example, such conflicts may arise; (i) where an appointed delegate is an affiliated group company and is providing a product or service to the Fund and has a financial or business interest in such product or service; or, (ii) where an appointed delegate is an affiliated group company which receives remuneration for other related products or services it provides to the Fund. The Depositary maintains a conflict of interest policy to address this.

In addition, actual or potential conflicts of interest may also arise between the Fund, the Shareholders or the ACD on the one hand and the Depositary on the other hand. For example, such actual or potential conflict may arise because the Depositary is part of a legal entity or is related to a legal entity which provides other products or services to the Fund and from which fees and profits in relation to the provision of those products or services may arise and from which the Depositary may benefit directly or indirectly. In addition, the Depositary may have a financial or business interest in the provision of such products or services, or receives remuneration for related products or services provided to the Fund or may have other clients whose interests may conflict with those of the Fund, the Shareholders or the ACD.

In particular, HSBC Bank plc may provide foreign exchange services to the Fund for which they are remunerated out of the property of the Fund. HSBC Bank plc or any of its affiliates or connected persons may also act as market maker in the investments of the Fund; provides broking services to the Fund and/or to other funds or companies; acts as financial adviser, banker, derivatives counterparty or otherwise provides services to the issuer of the investments of the Fund; acts in the same transaction as agent for more than one client; has a material interest in the issue of the investments of the Fund; or earns profits from or has a financial or business interest in any of these activities.

The Depositary will ensure that any such additional services provided by it or its affiliates are on terms which are not materially less favourable to the Fund than if the conflict or potential conflict had not existed.

The Depositary has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any actual or potential conflict of interest. The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depositary issues to be properly identified, managed and monitored.

### *Liability of the Depositary*

In general, the Depositary is liable for losses suffered by the Fund as a result of its negligence or wilful default to properly fulfil its obligations. Subject to the paragraph below, and pursuant to the Depositary Services Agreement, the Depositary will be liable to the Fund for the loss of financial instruments of the Fund which are held in its custody. The Depositary will not be indemnified out of the Scheme Property for the loss of financial instruments where it is so liable.

The liability of the Depositary will not be affected by the fact that it has delegated safekeeping to a third party.

The Depositary will not be liable where the loss of financial instruments arises as a result of an external event beyond the reasonable control of the Depositary, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary shall not be liable for any indirect, special or consequential loss.

In the event there are any changes to the Depositary's liability under the Regulations, the ACD will inform shareholders of such changes without delay.

Shareholders have no personal right to directly enforce any rights or obligations under the Depositary Services Agreement.

### *Updated Information*

Up to date information regarding the name of the Depositary, any conflicts of interest and delegations of the Depositary's safekeeping functions will be made available to shareholders upon written request to the ACD.

## **Investment Manager**

The Investment Manager is Techinvest Limited, incorporated in the Republic of Ireland in 1984 to provide investment advice on technology companies. It is best known for the "Techinvest" investment newsletter which has been published monthly since 1984 with a focus on providing investment recommendations for the private investor on technology companies. Techinvest Limited has been Investment Manager to the MFM Techinvest Technology Fund since its inception in May 2003 and is now enlarging the scope of its activities beyond purely technology stocks.

Techinvest Limited is regulated by the Central Bank of Ireland and is an EEA firm qualifying for authorisation under Schedule 3 of the Financial Services and Markets Act 2000 in respect of its regulated activities in the UK.

The terms of the Agreement between the ACD and the Investment Manager include the provision of investment management services to attain the investment objectives of the Fund, the purchase and sale of investments and the exercise of voting rights relating to such investments. The Investment Manager has authority to make decisions on behalf of the ACD on a discretionary basis in respect of day to day investment management of the property of the Fund including authority to place purchase orders and sale orders with regulated dealers and preparation of the Investment Manager's report half yearly for inclusion in the Fund's Report for circulation to shareholders. The Agreement may be terminated by either party on not less than six months' written notice or earlier upon the happening of certain specified events.

The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from the Fund and is also entitled to receive payments from the ACD in respect of investment in the Fund by its clients.

## **Administrator and Registrar**

The ACD is the registrar for the Fund. The register of shareholders is maintained at the ACD's office at Marlborough House, 59 Chorley New Road, Bolton BL1 4QP.

The Register of shareholders and the plan register of holders of Individual Savings Plans (ISAs) can be inspected by shareholders at the above address during usual business hours on weekdays (other than public holidays).

## **Auditors**

Barlow Andrews  
78 Chorley New Road  
Bolton  
BL1 4BY



## **FURTHER DETAILS OF MFM TECHINVEST SPECIAL SITUATIONS FUND**

### **Investment Objective**

The investment objective of the MFM Techinvest Special Situations Fund is to provide long-term capital growth and the accumulation of income through an actively managed portfolio of equities whose future prospects do not appear to be fully reflected yet in the current stock market price. The focus will be on smaller UK companies, although opportunities outside the UK may also be included, where appropriate. Particular attention will be paid to new emerging growth stocks and to recovery situations where change in a company's underlying dynamics or direction can be expected to lead to an improvement in its reported results. There may be occasions when the investment manager, in order to ensure liquidity or stability, chooses to hold bonds, government securities, collective investment schemes or a high level of cash or money market instruments.

The investment and borrowing powers of the Fund are set out in Appendix 1.

### **Risk Factors**

Potential investors should consider the following risk factors before investing in the Fund.

#### **General**

The investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Fund. There is no certainty that the investment objective of the Fund will actually be achieved and no warranty or representation is given to this effect. The level of any yield for the Fund may be subject to fluctuations and is not guaranteed.

#### **Effect of Initial Charge or Redemption Charge**

Where an initial charge or redemption charge is imposed, an investor who realises his Shares may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on Shares.

The Shares therefore should be viewed as medium to long term investments.

#### **Dilution and SDRT provision**

The Fund may suffer a reduction in the value of its Scheme Property due to dealing costs incurred when buying and selling investments. To offset this dilution effect the ACD may require the payment of a dilution levy in addition to the price of Shares when bought or as a deduction when sold.

Certain investment transactions can result in the payment of stamp duty reserve tax ("SDRT"). When such payment results in the diminution in value of the Shares, an additional charge may be levied in addition to the price of the Shares when issued or deducted when sold.

#### **Risk of tax effect**

Certain investment transactions can result in the payment of stamp duty reserve tax ("SDRT"). When such payment results in the diminution in value of the Shares, an additional charge may be levied in addition to the price of the Shares when issued or deducted when sold.

#### **Currency risk**

Currency fluctuations may adversely affect the value of the Fund's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

#### **Interest rate risk**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

## **Credit and Fixed Interest Securities**

Fixed interest securities or instruments that track the returns of fixed interest indices, are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent.

## **Emerging Markets**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

**Fraudulent Securities** – Given the lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

**Currency Fluctuations** – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the Fund may occur following the investment of the Fund in these currencies. These changes may impact the total return of the Fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

**Settlement and Custody Risks** – Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

**Investment and Remittance Restrictions** – In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to the Fund because the maximum permitted number of an investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Fund will only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

**Accounting** – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

## **Counterparty risk**

There may be a risk of a loss where the assets of a company are held by the custodian or the broker that could result from the insolvency, negligence or fraudulent action of the custodian, sub-custodian or broker.

## **Liquidity risk**

Depending on the types of assets a fund invests in; there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

## **Smaller Companies**

Investment in smaller companies can carry a higher risk than investment in well established blue chip companies. Funds investing significantly in smaller companies can be subject to more volatility due to the limited marketability of the underlying asset and the susceptibility of the underlying asset to market forces.

**Assets in recovery situations**

Investment in assets in recovery situations can be significantly higher risk than investment in well established blue chip companies. Funds investing significantly in assets in recovery can be subject to a high level of volatility due to the limited marketability of the underlying asset and can lead to a total loss of value.

**Suspension of Dealings in Shares**

Shareholders are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see "Issue and Redemption of Shares in the Fund" above). This will mean that investors will not have access to their money during the period of the suspension.

**Derivatives for Efficient Portfolio Management ("EPM")**

The Fund may employ financial derivative instruments on eligible derivatives markets, but solely for the purpose of hedging (sometimes known as Efficient Portfolio Management ('EPM')), with the aim of reducing the risk profile of a fund. The Investment Manager may enter into derivatives transactions, including, without limitation, forward transactions, currency hedges, futures and options for hedging purposes to reduce or eliminate risk arising from fluctuation in interest or exchange rates and in the price of the investments. The value of these investments may fluctuate significantly. By holding these types of investments there is a risk of capital depreciation in relation to certain Fund assets. However, there is also the potential for capital appreciation of such assets. The ACD does not anticipate that the use of derivatives will have any significant effect on the risk profile of the Fund.

## **GENERAL INFORMATION**

### **The Fund**

The minimum share capital of the Fund is £1 and the maximum share capital is £100,000,000,000.

### **Winding up**

The Fund may be wound up in accordance with the provisions contained in Chapter 7.3 of the COLL Sourcebook, and in particular, as provided by COLL 7.3.4R(4), upon (a) the passing of an extraordinary resolution to that effect, (b) the occurrence of an event for which the instrument of incorporation provides that the Fund be wound up, or (c) the date agreed by the FCA in response to a request from the ACD for the revocation of the authorisation order of the Fund.

In the case of a scheme of arrangement resulting in the Fund being left with no property on the passing of an extraordinary resolution of the shareholders approving the scheme of arrangement, the ACD shall wind up the Fund in accordance with that resolution.

Upon winding up of the Fund in any other case, the ACD shall sell all the investments and out of the proceeds of the sale shall settle the Fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to the shareholders (upon production of the relevant evidence as to their entitlement to shares) proportionally to their respective interests in the Fund.

### **Accounting and Record Dates**

The annual Accounting Reference Date and Record Date for the final income allocation is 30 April. The Record Date for the interim income allocation is the 31 October. The initial annual accounting period shall end on 30 April 2006. The annual and half-yearly long reports of the Fund will be published on 30 June and 31 December respectively. Long form reports are available from the ACD upon request or at [www.marlbroughfunds.com](http://www.marlbroughfunds.com).

### **Characteristics of Shares**

The Fund can issue Class A, Class B and Class P shares. At the moment the Fund only offers Class A, Class B and Class P Net Accumulation Shares. In income shares net income is distributed half-yearly to shareholders; in the case of accumulation shares net income is retained and accumulated for the benefit of shareholders and is reflected in the price of the shares.

The price of shares in the Fund is expressed in pounds sterling, and shares themselves have no nominal value.

Shares will be issued in registered form. Names and addresses of holders will be entered in the register to evidence title to the shares. Shareholders will not be issued with a certificate.

The ACD will impose no requirements nor will shareholders have any special rights or entitlements with respect to the transfer of their holding or exchange of their shares to or for shares in any other fund operated by the ACD.

### **Typical Investor**

The Fund is suitable for retail investors, professional investors and eligible counterparties whose investment requirements are aligned with the objectives, policies and risk profiles of the Fund. The Fund will be distributed primarily via fund platforms, wealth managers, discretionary fund managers and financial institutions. The Fund has no complex features or guarantees and investors do not necessarily need to have investment experience however a basic understanding of investment markets, the kind of underlying investments of the Fund and the risks involved in investment is important.

This Prospectus contains detail on the Funds' objective, investment strategies, risks, performance, distribution policy and fees and expenses. All investors are expected to have also read the Key Investor Information Document (KIID) which is intended to help investors understand the nature and risks of investing in the Fund.

The Funds may not be suitable for certain investors, including but not limited to those whose objectives and needs are not consistent with the nature of the Fund, those who are unable to commit capital for a sufficient term or do not have sufficient resources to bear any loss which may result from an investment in the Fund. The Fund is also not committed to meeting any specific ethical, social, religious or environmental restrictions which some investors may be seeking.

Further information on the intended target market for the Fund is available from the ACD upon request. If you are in any doubt as to the suitability of the Fund, you should consult an appropriately qualified financial adviser prior to making an investment.

## Meetings and Voting Rights

A meeting of shareholders duly convened and held shall be competent by extraordinary resolution to require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by the relevant regulations. Separate extraordinary resolutions are required for material changes.

At a meeting of shareholders the quorum for transaction of business is two shareholders in person, or by proxy, although on any adjourned meetings, if a quorum is not present within 15 minutes of the time appointed for the meeting, then any one shareholder present in person or by proxy shall constitute a quorum. On a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll every shareholder who is present in person or by proxy will have one vote for every share in the Fund he or she holds. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other holders and for this purpose seniority is determined by the order in which the names stand in the Register of Holders. On a poll, votes may be given either personally or by proxy. The ACD (or an associate) is entitled to vote on shares held in its name but on behalf of shareholders who, if themselves registered shareholders, would be entitled to vote and who have given instructions to the ACD (or its associate) as to which way the votes are to be exercised.

## Other Information

Copies of the Instrument of Incorporation, Prospectus and the most recent long annual and half-yearly reports may be inspected at the Registered Office of the ACD which is also the head office of the Fund and copies may be obtained upon application.

The ACD's voting policy (which sets out how and when voting rights attached to the Fund's investments are to be exercised), execution policy (which sets out the procedures to be followed when transactions are carried out on behalf of the Fund) and inducement policy (which sets out the types of payments, including fees, commissions and non-monetary benefits, which may be received or made by a third party in respect of the Fund where permitted by the FCA rules).

The address for service of notices or other documents required or authorised to be served on the Fund is Marlborough House, 59 Chorley New Road, Bolton BL1 4QP. The addresses for notices required or authorised to be served on the shareholders will be those set out in the register.

Shareholders who have complaints about the operation of the Fund should contact the ACD in the first instance. If the complaint is not dealt with to the satisfaction of the shareholder, then they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

The Financial Services Compensation Scheme has been established under the rules of the FCA as a "rescue fund" for certain clients of firms authorised and regulated by the FCA which have gone out of business. The ACD will supply a Shareholder with further details of the scheme on written request to its operating address. Alternatively, Shareholders can visit the scheme's website at [www.fscs.org.uk](http://www.fscs.org.uk) or by writing to the Financial Services Compensation Scheme, PO Box 300, Mitcheldean, GL17 1DY.

**An investment in an investment company with variable capital such as the Fund should be regarded as a longer term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not necessarily a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuations in exchange rates which can be favourable or unfavourable.**

Class A Shares are intended for direct investors. Class B Shares are intended for larger investors investing via an intermediary or financial adviser. Class P Shares are intended for large institutional investors and platforms. In each case investors in the relevant classes will, subject to the ACD's discretion, need to meet the applicable investment requirements.

## Past Performance

1<sup>st</sup> January 2014 – 31<sup>st</sup> December 2018, Mid to Mid, UK Basic Rate, Based in UK Sterling

	<b>% Growth 01 Jan 14 to 31 Dec 14</b>	<b>% Growth 01 Jan 15 to 31 Dec 15</b>	<b>% Growth 01 Jan 16 to 31 Dec 16</b>	<b>% Growth 01 Jan 17 to 31 Dec 17</b>	<b>% Growth 01 Jan 18 to 31 Dec 18</b>
MFM Techninvest Special Situations Class A Acc	2.46	34.70	14.30	17.56	-14.47

Source: Morningstar

**Please note that the value of your shares may go down as well as up. Past performance is not a guide to future performance.**

## VALUATION, CHARGES AND INCOME

### Valuation of Property

The Fund will be valued on each business day that is a Wednesday at 12.00 noon (the "Valuation Point"), excluding the last business day before 25<sup>th</sup> December and the last business day of the year, for the purpose of determining prices at which shares in the Fund may be purchased or redeemed. Valuations may be made on other days to avoid excessive periods between valuations that would otherwise be caused by the incidence of non-business days.

There is only a single price for any share as determined from time to time by reference to a particular valuation point. The Fund will be valued on a net asset value basis to determine the price of the shares ("NAV price"). Except in circumstances where the application of a dilution levy applies (see "Charges and Other Expenses" section of this Prospectus) shares will be redeemed at the NAV price and purchased at a price that includes a preliminary charge at the rate applying to the Fund (see "Charges and Other Expenses"). Although it is not current policy, if a dilution adjustment were to apply in the future the NAV price will be adjusted accordingly to determine the price at which shares can be purchased and redeemed.

The net asset value of the property of the Fund shall be the value of its assets less the value of its liabilities determined (inter alia) in accordance with the following provisions which are set out in the Instrument of Incorporation.

- 1 All the property of the Fund (including receivables) is to be included, subject to the following provisions.
- 2 Property which is not cash (or other assets dealt with in paragraph 3 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and selling units or shares is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (b) any other transferable security:
    - (i) if a single price for buying and selling the security is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (c) property other than that described in (a) and (b) above shall be valued at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- 3 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 4 There will be a deduction of an estimated amount for anticipated tax liabilities at that time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and advance corporation tax, valued added tax, stamp duty and stamp duty reserve tax.
- 5 There will be a deduction of an estimated amount for any liabilities payable out of the scheme property and any tax thereon treating periodic items as accruing from day to day.

- 6 There will be a deduction of the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
- 7 Property which is a contingent transaction shall be treated as follows:
  - (a) if a written option, (and the premium for writing the option has become part of the scheme property), deduct the amount of the net value of premium receivable. If the property is an off-exchange derivative the method of valuation shall be agreed between the ACD and Depositary.
  - (b) if an off-exchange future, include at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - (c) if any other form of contingent liability transactions, include at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative not falling into 7(b) above, include at a valuation method agreed between the ACD and the Depositary.
- 8 In determining the value of the scheme property, all instructions given to issue or cancel shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 9 Subject to paragraph 10 and 11 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 10 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 9.
- 11 All agreements are to be included under paragraph 9 which are, or ought reasonably to have been, known to the person valuing the property.
- 12 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 13 Add any other credits or amounts due to be paid into the scheme property.
- 14 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.

### **Charges and Other Expenses**

The ACD may receive, or waive in part or in whole, a preliminary charge upon investment in the Fund at various rates. It is expressed as a percentage of the issue price of a share and is included in the buying price. The current rates are set out in the 'Periodic charge' section. Out of the preliminary charge the ACD may make payments to qualifying intermediaries, including the Investment Manager and its associates, where permitted by the FCA rules.

### **Dilution Levy**

The actual cost of purchasing or selling investments may be higher or lower than the mid-market value used in calculating the share price – for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the shareholders' interest in the Fund. In order to prevent this effect, called "dilution", the ACD has the power to charge a "dilution levy" on the sale and/or redemption of shares. The levy will be calculated by reference to the costs of dealing in the underlying investments of the Fund, including any dealing spreads, commission and transfer taxes.



The need to charge a dilution levy will depend on the volume of sale and redemptions. The ACD will charge a discretionary dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a sub-fund experiencing large levels of net sales relative to its size; on "large deals" (which for these purposes is defined as 2% of the size of the Fund); in any case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

Based on the number of shareholders in the Fund and their average shareholding, as well as historic subscription and redemption volumes, the ACD considers that it likely that a dilution levy will only be imposed on a very infrequent basis. Where a dilution levy is applied, the ACD believes that due to the nature of the underlying securities the amount will not normally exceed 1% of the net asset value of shares being bought or sold.

The ACD may alter its dilution policy only by shareholder consent pursuant to the passing of a resolution to that effect at a properly convened meeting of shareholders and by amending this Prospectus or by giving shareholders notice and amending the Prospectus 60 days before the change to the dilution policy is to take effect.

### **Initial Charge**

The ACD may receive, or waive in part or in whole, a preliminary charge upon investment in the Fund at various rates. The current preliminary charge is set out in the table below

<b>Share Class</b>	<b>Preliminary Charge</b>
Class A	5%
Class B	5%
Class P	1%

Out of the preliminary charge the ACD may make payments to introducers, including the Investment Manager and its associates.

### **Periodic charge**

The ACD receives a periodic charge for managing the Fund as a percentage of the value of the property of the Fund. The calculation of the periodic charge is based upon the first or only valuation point on each Business Day. The charge charged during a calendar month is paid to the ACD no more frequently than weekly, which is payable out of the income property of the Fund. The ACD may increase the rate of such charge by giving 60 days' notice to shareholders and amending this Prospectus. The ACD is responsible for the payment of the fees of the Investment Manager and those of their advisers.

The current rates of periodic charge are set out in the table below.

<b>Share Class</b>	<b>Current Periodic Charge</b>
Class A	1.5%
Class B	1.0%
Class P	0.75%

Investors should note that the ACD's periodic charge for MFM Techinvest Special Situations Fund will be taken entirely from income.

### **Depositary Fee**

The Depositary is remunerated out of the property of the Fund in respect of its services. The Depositary is remunerated out of the property of the Funds in respect of its services. The Depositary is paid on the total

value of all funds managed by the ACD and under the custody of the Depositary plus VAT of the value of the property of the Fund on the following sliding scale:

- 0.03% per annum of the first £200 million of the Fund property;
- 0.015% per annum of the next £800 million of the Fund property;
- 0.0075% per annum of the balance over £1 billion.

The calculation of the periodic fee is based upon the first or only valuation point on each business day. The periodic fee charged during a calendar month is paid to the Depositary on or as soon as is reasonably practicable after the last business day of that calendar month.

In addition, the Depositary makes transaction charges and custody charges. These charges are of such amounts as may be agreed by the ACD and the Depositary. Transaction charges vary from country to country. Details of the ranges of charges based on geographic area are given below ("Activity fee"). Custody charges vary according to geographic location and market value of the holdings (calculated in the same manner as for the ACD's periodic charge). Similar details of the ranges of charges are set out below ("Safekeeping fee"). Charges for principal investment markets are:

### **Custody and Activity Fees**

Geographic area	Safekeeping fee (BPS per annum)	Activity fee
United Kingdom (Crest Transaction)	0.60	£11.00
United Kingdom (Non Crest Transactions)	0.90	£20.00
United States of America	2.00	£20.00
Euroclear/Clearstream	2.50	£22.50
Europe	2.00 to 7.00	£22.50 to £45.00
Japan	3.00	£30.00
Other markets	2.50 to 15.00	£30.00 to £60.00

The activity fees and safe keeping fees can be increased on 60 days prior written notice to Shareholders in accordance with COLL).

### **Other Expenses**

The following other expenses may be paid out of the property of the Fund. The ACD may change this policy by giving 90 days' notice to shareholders and amending this Prospectus:-

1. broker's commission (where permitted under the FCA Handbook), fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Fund and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
2. fees in respect of the maintenance of the Register accruing and payable quarterly out of the property of the Fund are currently charged at the rate of 0-100 shareholders, £1,500 per annum per Fund, 101-250 shareholders, £2,900 per annum per Fund, greater than 250 shareholders, £11.50 per annum per shareholder. A £11.50 charge per annum will also be payable per holder held on an ISA sub-register.
3. any costs incurred in or about the listing of shares in the Fund on any Stock Exchange, and the creation, conversion and cancellation of shares;
4. any costs incurred by the Fund in publishing the price of the shares in a national or other newspaper;
5. any costs incurred in producing and dispatching any payments made by the Fund, or the yearly and half-yearly reports of the Fund;

6. any fees, expenses or disbursements of any legal or other professional adviser of the Fund;
7. any costs incurred in taking out and maintaining an insurance policy in relation to the Fund;
8. any costs incurred in respect of meetings of shareholders convened for any purpose;
9. any payment permitted by COLL 6.7.15 of the COLL Sourcebook;
10. interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
11. taxation and duties payable in respect of the property of the Fund or the issue or redemption of shares;
12. the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
13. the fees of the FCA, in accordance with Chapter 10 of the COLL Sourcebook, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Fund are or may be marketed;
14. the Depositary will also be reimbursed out of the property of the Fund expenses incurred in performing the following activities and duties:
  - Delivery of stock to the Depositary or custodian;
  - Custody of assets;
  - Collection of income and capital;
  - Submission of tax returns;
  - Handling tax claims;
  - Preparation of the Depositary's annual report;
  - Arranging insurance;
  - Calling shareholder meetings and otherwise communicating with shareholders;
  - Dealing with distribution warrants;
  - Taking professional advice;
  - Conducting legal proceedings;
  - Such other duties as the Depositary is permitted or required by law to perform.
15. any expense incurred in relation to Fund secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Fund;
16. any payments otherwise due by virtue of a change to the Regulations; and,
17. any value added or similar tax relating to any change or expense set out herein.

### **Redemption charge**

The ACD may deduct a redemption charge out of the proceeds of redemption but does not currently intend to do so.

### **Switching charge**

In accordance with the instrument of incorporation the Fund may impose a charge on the switching of shares between classes in the Fund. However there is currently no charge for switching shares in one class for shares in another class.

### **Income Allocations**

Allocations of income will be made on 30 April (final) and 31 October (interim) in each year. The income available for allocation is calculated by taking the aggregate of income received or receivable in respect of the period, deducting charges and expenses paid or payable out of such income, adding the ACD's best estimate of any relief from tax on such charges and expenses and making any other adjustments permitted by the Regulations that the ACD considers appropriate in relation to both income and expenses (including taxation), after consulting the auditors when required to do so. Distributable income payable on income shares will be paid by bank automated credit system. Cheques will not be sent. Where a shareholder's bank details are not known or are inaccurate, accumulation shares will be purchased, where available, otherwise any income from income shares will be reinvested. .

Income arising from a Fund's investments accumulates during each accounting period. If, at the end of the accounting period, income exceeds expenses, the net income of the Fund is available for distribution. In order to conduct a controlled dividend flow to shareholders interim distributions will be made at the ACD's discretion, up to the maximum of the distributable income available for the period.

The first allocation with respect to shares purchased between the two preceding Record Dates ("group 2 shares") will be made together with equalisation. Equalisation is the deemed amount contained in the purchase price of such shares which represents a proportion of the net income of the Fund already accrued up to the date of purchase. This is allocated to holders of group 2 shares with their first allocation but for tax purposes is treated as a return of capital.

Grouping for equalisation is permitted by the Instrument of Incorporation which means that the amount may be ascertained per share as the aggregate of all equalisation amounts in a grouping period divided by the number of group 2 shares in issue at the Record Date for the allocation. The grouping period is the accounting period between successive Record Dates.

Investors should be aware that should an income distribution be unclaimed for a period of six years after it has become due, it will be forfeited and returned to the relevant Fund for the benefit of the relevant share class.

### **Issue and Redemption of Shares in the Fund**

The ACD will accept orders for the purchase and sale of shares on normal business days between 9.00 am and 5.00 pm, excluding the afternoon of the last business day before 25<sup>th</sup> December and the afternoon of the last business day of the year. The ACD's normal basis of dealing is at a forward price plus or minus any applicable dilution levy, which means that transactions will be effected at prices determined at the next Valuation Point ("the dealing date"). Instructions to issue or redeem shares may be either in writing or by telephone on 0808 145 2501. To confirm the transaction, a contract note or allocation letter will be issued by close of business on the next business day after the dealing date.

The ACD will buy back shares from holders at not less than the price determined at the next Valuation Point following receipt of redemption instructions less any dilution levy. Payment of redemption proceeds will be made not later than four business days after either the dealing date or receipt of the renouncement document if later.

In the event that a shareholder requests the redemption or cancellation of shares representing over 5% of the property of a Fund, the ACD may upon giving written notice to the shareholder arrange that, in place of payment of the NAV price of the shares in cash, the Fund cancels the shares and transfers relevant scheme property to the shareholder (or the net proceeds of the sale of the relevant scheme property) to the shareholder in accordance with the Regulations.

The following minimum investment, holding and redemption requirements apply to the share classes:

<b>Share Class</b>	<b>Minimum Initial Investment</b>	<b>Minimum Subsequent Investment</b>	<b>Minimum Holding</b>	<b>Minimum Redemption</b>
Class A	£1,000	£1,000	£1,000	£500
Class B	£50,000	£1,000	£50,000	£500
Class P	£1,000,000	£1,000	£1,000,000	£500

The minimum investment, holding and redemption requirements may be waived by the ACD at its sole discretion.

The share price is published in the Financial Times each day that such newspaper is published and on the Investment Association website ([www.theinvestmentassociation.org](http://www.theinvestmentassociation.org)). In addition the prices of all Shares may be obtained from the ACD's website [www.marlbroughfunds.com](http://www.marlbroughfunds.com) or by telephone on 0808 145 2500. The price shown will be that calculated at the previous Valuation Point. The price will not include any dilution levy that may apply but details will be available on request.

The shares are not listed or dealt in on any investment exchange.

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of shares in the Fund where due to exceptional circumstances it is in the interests of all the shareholders in the Fund.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of shareholders.

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA state where the Fund is offered for sale.

The ACD will notify shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving shareholders details of how to find further information about the suspension.

Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep shareholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to shareholders.

The ACD may agree during the suspension to deal in shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

**From time to time the ACD may hold shares in the Fund as principal. However, such shares are held by the ACD to facilitate the efficient management of the Fund and the ACD does not actively seek to make profit from holding shares as principal.**

**An affected person (the ACD, Depositary, Investment Manager, or any of their associates, or the Auditor of the Fund) is under no obligation to account to another affected person or to shareholders for any profit or other benefit they make on dealing in shares of the Fund, any transaction in scheme property, or the supply of services to the scheme.**

The ACD may, inter alia, reject at its discretion any application for the purchase, sale or exchange of shares for the purpose of ensuring that no shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory.

#### **Mandatory redemption, cancellation or conversion of shares**

If it comes to the notice of the ACD that any shares ("affected shares") are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or by virtue of which the Shareholder or Shareholders in question is/are not qualified and entitled to hold such shares or if it reasonably believes this to be the case, the ACD may give notice to the holder(s) of the affected shares requiring either transfer of such shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or cancellation of such shares in accordance with the Regulations. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected shares to a person qualified to hold them or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected shares, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption of all the affected shares pursuant to the Regulations.

A person who becomes aware that he has acquired or is holding affected shares in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or by virtue of which he is not qualified to hold such affected shares, shall forthwith, unless he has already received a notice as aforesaid, either transfer or procure the transfer of all his affected shares to a person qualified to own them or give a request in writing or procure that such a request for the redemption or cancellation of all his affected shares pursuant to the Regulations.

## Switching

Subject to the above restrictions on the eligibility of investors for a particular share class, a shareholder may at any time switch or convert all or some of his shares of one class ("the Original Shares") for shares of another class ("the New Shares") in the Fund. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

Telephone switching instructions may be given but shareholders are required to provide written instructions to the ACD (which, in the case of joint shareholders, must be signed by all the joint shareholders) before switching is effected.

The ACD may at its discretion make a charge on the switching of shares between classes. Any such charge on switching does not constitute a separate charge payable by a shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on switching currently payable, please see the paragraph "**Switching charge**" above.

If a partial switch would result in the shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on switching on such conversion) or refuse to effect any switch of the Original Shares. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a switch. Written instructions must be received by the ACD before the Valuation Point on a dealing day to be dealt with at the prices at the Valuation Point on that dealing day or at such other Valuation Point as the ACD at the request of the shareholder giving the relevant instruction may agree. Switching requests received after a Valuation Point will be held over until the next day which is a dealing day.

The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to COLL.

**A shareholder who switches between classes of shares in the Fund for classes of shares in another fund will not be given a right by law to withdraw from or cancel the transaction. An exchange of shares in the Fund for shares in another fund will, for persons subject to UK taxation, be treated as a realisation for the purposes of capital gains taxation, depending on the person's circumstances. Conversions between classes of shares within the Fund will not generally be treated as a disposal for tax purposes. Shareholders should consult their professional advisers if they are in any doubt as to their UK tax position in relation to the Fund.**

## TAXATION

### Taxation of the Fund

#### (i) Income

The Fund is liable to Corporation Tax at the current lower rate of income tax (20%) on its income, other than dividends from UK companies, less its expenses of management.

Ordinary dividends from UK companies are received by the Fund as franked investment income.

#### (ii) Capital Gains

The Fund is exempt from tax on capital gains.

#### (iii) Stamp Duty Reserve Tax ('SDRT')

***This section is based on current law and HM Revenue & Customs practice which may change. There is no longer any Stamp Duty Reserve Tax ("SDRT") charge levied on the surrender of Shares in the Scheme, except in the case of an in-specie redemption which is not settled pro-rata to the assets held by the Scheme. In that event, the redeeming Shareholder will be liable to SDRT at the rate of 0.5% of the value of the Shares surrendered.***

### Taxation of the Shareholder

#### (i) Income

It is anticipated that all distributions by the Fund will be in the form of dividend distributions and that, accordingly, the Fund will not pay an interest distribution.

#### UK resident individual shareholders

The Company will generally make dividend distributions which broadly reflect any income arising from its investments. Dividend distributions by the Company are made without deduction of income tax. The first £2,000 of dividend distributions received by individual investors in any tax year are not subject to income tax. Dividend distributions received in excess of this amount should be reported on the individual investor's Self Assessment Tax Return. For distribution amounts in excess of £2,000 in any tax year, individual investors liable to income tax at the basic rate will have an additional liability to income tax equal to 7.5% of the dividend distribution to the extent that such sum, when treated as the top slice of his income, falls above the threshold for basic rate tax. Higher rate taxpayers will have a further liability to income tax equal to 32.5% of the dividend distribution to the extent that such sum, when treated as the top slice of his income, falls above the threshold for higher rate tax. Additional rate taxpayers will have a further liability to income tax equal to 38.1% of the dividend distribution to the extent that such sum, when treated as the top slice of his income, falls above the threshold for the additional rate of tax.

#### Corporate shareholders within the scope of corporation tax

Dividend distributions received by corporate shareholders chargeable to UK corporation tax will need to be streamed into 'franked' and 'unfranked' income according to the underlying gross income of the Company.

In broad terms, the portion treated as being 'franked' will be such proportion of the Company's total income (brought into account when determining the distribution for the period in question) which consists of dividend income received which is treated as exempt under Part 9A of CTA 2009. The 'franked' portion will be treated as exempt dividend income when received by a UK resident corporate shareholder (unless the shareholder is treated as a dealer in securities for tax purposes). The 'unfranked' portion will be treated as an annual payment from which income tax at a rate of 20% has been deducted. A UK resident corporate shareholder will, therefore, be subject to corporate tax at the rate applicable to that corporate shareholder but with credit for the income tax deducted. Such shareholders may, therefore, be liable to further tax and any ability to claim repayment of the income tax credit will be limited to the corporate shareholder's share of the Company's liability to corporation tax for the distribution period in question.

#### Non-resident shareholders

Dividend distributions will be made gross to shareholders who are not UK resident. Non resident shareholders who are individuals are not liable to UK income tax on the dividend distribution. Non-UK resident shareholders

are recommended to seek professional advice as to the tax consequences of receiving a dividend distribution under the law of the jurisdiction of their residence.

Non resident trusts may be chargeable to UK income tax on distributions made by the Company and are recommended to seek professional advice.

**(ii) Shareholding in a Fund treated as a loan relationship**

Special rules apply to corporate shareholders within the charge to corporation tax which in certain circumstances could result in their shares being treated for the purposes of the UK's corporate debt rules as rights under a creditor relationship of the corporate shareholder. An authorised mark to market basis of accounting would have to be used, for corporation tax purposes, as respects the deemed creditor relationship.

**(iii) Capital gains**

Capital gains made by individual Shareholders who are resident in the UK for tax purposes on the sale, disposal or as a result of any other chargeable event will be tax free if they fall within an individual's annual capital gains exemption. For the tax year 2018/2019, the first £11,700 of an individual's chargeable gains (that is after deduction of allowable losses) from all sources will, therefore, be exempt from capital gains tax. Subject to their personal circumstances, gains in excess of this amount are taxed at 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers.

Shareholders who are non UK resident will not normally be liable to UK tax on capital gains arising on a sale, disposal or other chargeable event unless the shareholding is connected with a trade carried on by the Shareholder through a UK branch or agency or certain anti-avoidance provisions relating to temporary non-UK residence apply

Capital gains made by Shareholders liable to UK corporation tax will be taxable at the corporation tax rate applicable to that corporate Shareholder after taking account the availability of any indexation relief. The main rate of corporation tax is currently 19%.

**(iv) Inheritance tax**

A gift by a shareholder of his shares in a Fund or the death of a shareholder may give rise to a liability to inheritance tax, except where the shareholder is an individual who is neither domiciled in the UK, nor deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK. For these purposes, a transfer of shares at less than the full market value may be treated as a gift.

**GENERAL SUMMARY ONLY**

**The above section is only intended as a general summary of UK tax law and practice as at the date of issue of this document (which may change in the future) applicable to individual and corporate shareholders who are the absolute beneficial owners of a shareholding in a Fund and its applicability will depend upon the particular circumstances of each shareholder. In particular, the summary may not apply to certain classes of shareholder (such as financial institutions). It should not be treated as legal or tax advice and, accordingly, any shareholder who is in any doubt as to his UK tax position in relation to a Fund should consult his UK professional adviser.**

**EU Savings Directive**

The EU Council Directive 2003/48/EC on taxation of savings income (the "Directive") came into force on 1 July 2005. Member States of the European Union ("Member States") are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person who is a "paying agent" to an individual (or certain entities) resident in another Member State. Austria, Belgium and Luxembourg will apply a withholding tax for a transitional period, unless during such period they elect otherwise.

For a collective investment scheme income may include distributions or dividends whether paid or accumulated, together with income arising as result of the sale or redemption of shares.

Investors resident in prescribed territories outside the EU may also be included in the exchange of information. Information on these territories can be obtained from HM Revenue & Customs or your professional adviser.



## **APPENDIX 1 – Investment and Borrowing Powers**

(For the purposes of this Appendix only, references to “Company” are to be treated as references to “Fund”) (as defined in this prospectus))

### **1. General rules of investment**

The Scheme Property will be invested with the aim of achieving the investment objective of the Company but subject to the limits set out in the Company’s investment policy and the limits set out in Chapter 5 of the COLL Sourcebook (“COLL 5”) and this Prospectus.

From time to time and in particular during periods of uncertain or volatile markets, the Investment Manager may choose to hold a substantial proportion of the property of the Company in money-market instruments and/or cash deposits.

#### **1.1 Prudent spread of risk**

The ACD must ensure that, taking account of the investment objectives and policy of the Company, the Scheme Property aims to provide a prudent spread of risk.

#### **1.2 Cover**

1.2.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Company under any other of those rules has also to be provided for.

1.2.2 Where the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.2.2.1 it must be assumed that in applying any of those rules, the Company must also simultaneously satisfy any other obligation relating to cover; and

1.2.2.2 no element of cover must be used more than once.

### **2. UCITS Schemes - general**

2.1 Subject to the investment objective and policy of the Company, the Scheme Property must, except where otherwise provided in COLL 5, only consist of any or all of:

2.1.1 transferable securities;

2.1.2 approved money-market instruments;

2.1.3 permitted units in collective investments schemes;

2.1.4 permitted derivatives and forward transactions; and

2.1.5 permitted deposits.

- 2.2 It is not intended that the Company will have an interest in any immovable property or tangible movable property.

### 3. **Transferable Securities**

- 3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "Regulated Activities Order").

- 3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

- 3.3 In applying paragraph 3.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

- 3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

- 3.5 The Company may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

- 3.5.1 the potential loss which the Company may incur with respect to holding the transferable security is limited to the amount paid for it;

- 3.5.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under the FCA Handbook;

- 3.5.3 reliable valuation is available for it as follows:

- 3.5.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

- 3.5.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

- 3.5.4 appropriate information is available for it as follows:

- 3.5.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

- 3.5.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
  - 3.5.5 it is negotiable; and
  - 3.5.6 its risks are adequately captured by the risk management process of the ACD.
- 3.6 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
  - 3.6.1 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder; and
  - 3.6.2 to be negotiable.
- 3.7 No more than 5% of the Scheme Property may be invested in warrants.
- 4. **Closed end funds constituting transferable securities**
- 4.1 A unit or a share in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Company, provided it fulfils the criteria for transferable securities set out in paragraph 3.5 and either:
  - 4.1.1 where the closed end fund is constituted as an investment company or a unit trust:
    - 4.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
    - 4.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 4.1.2 Where the closed end fund is constituted under the law of contract:
    - 4.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - 4.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.
- 5. **Transferable securities linked to other assets**
- 5.1 The Company may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Company provided the investment:
  - 5.1.1 fulfils the criteria for transferable securities set out in 3.5 above; and
  - 5.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Company can invest.

- 5.2 Where an investment in 5.1 contains an embedded derivative component, the requirements of this section with respect to derivatives and forwards will apply to that component.

## **6. Approved Money-Market Instruments**

- 6.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money-market, is liquid and has a value which can be accurately determined at any time.

- 6.2 A money-market instrument shall be regarded as normally dealt in on the money-market if it:

- 6.2.1 has a maturity at issuance of up to and including 397 days;
- 6.2.2 has a residual maturity of up to and including 397 days;
- 6.2.3 undergoes regular yield adjustments in line with money-market conditions at least every 397 days; or
- 6.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 6.2.1 or 6.2.2 or is subject to yield adjustments as set out in 6.2.3.

- 6.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.

- 6.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:

- 6.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Scheme Property could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- 6.4.2 based either on market data or on valuation models including systems based on amortised costs.

- 6.5 A money-market instrument that is normally dealt in on the money-market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

## **7. Transferable securities and money-market instruments generally to be admitted or dealt in on an Eligible Market**

- 7.1 Transferable securities and approved money-market instruments held within the Company must be:

- 7.1.1 admitted to or dealt in on an eligible market as described in 8.3.1; or
- 7.1.2 dealt in on an eligible market as described in 8.3.2; or
- 7.1.3 admitted to or dealt in on an eligible market as described in 8.4; or

- 7.1.4 for an approved money-market instrument not admitted to or dealt in on an eligible market, within 9.1; or
- 7.1.5 recently issued transferable securities provided that:
  - 7.1.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
  - 7.1.5.2 such admission is secured within a year of issue.
- 7.2 However, the Company may invest no more than 10% of the Scheme Property in transferable securities and approved money-market instruments other than those referred to in 7.1.
- 8. **Eligible markets regime: purpose and requirements**
- 8.1 To protect Shareholders the markets on which investments of the Company are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 8.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction in 7.2 above on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 8.3 A market is eligible for the purposes of the rules if it is:
  - 8.3.1 a regulated market as defined in the FCA Handbook; or
  - 8.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public.
- 8.4 A market not falling within paragraph 8.3 of this Appendix is eligible for the purposes of COLL 5 if:
  - 8.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - 8.4.2 the market is included in a list in the prospectus; and
  - 8.4.3 the Depositary has taken reasonable care to determine that:
    - 8.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 8.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 8.5 In paragraph 8.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of Shareholders.
- 8.6 The Eligible Markets for the Company are set out in Appendix 3.

**9. Money-market instruments with a regulated issuer**

9.1 In addition to instruments admitted to or dealt in on an eligible market, the Company may invest in an approved money-market instrument provided it fulfils the following requirements:

9.1.1 the issue or the issuer is regulated for the purpose of protecting Shareholders and savings; and

9.1.2 the instrument is issued or guaranteed in accordance with paragraph 10 (Issuers and guarantors of money-market instruments) below.

9.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting Shareholders and savings if:

9.2.1 the instrument is an approved money-market instrument;

9.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 11 (Appropriate information for money-market instruments) below; and

9.2.3 the instrument is freely transferable.

**10. Issuers and guarantors of money-market instruments**

10.1 The Company may invest in an approved money-market instrument if it is:

10.1.1 issued or guaranteed by any one of the following:

10.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

10.1.1.2 a regional or local authority of an EEA State;

10.1.1.3 the European Central Bank or a central bank of an EEA State;

10.1.1.4 the European Union or the European Investment Bank;

10.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

10.1.1.6 a public international body to which one or more EEA States belong;  
or

10.1.2 issued by a body, any securities of which are dealt in on an eligible market; or

10.1.3 issued or guaranteed by an establishment which is:

10.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or

- 10.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.
- 10.2 An establishment shall be considered to satisfy the requirement in 10.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
  - 10.2.1 it is located in the European Economic Area;
  - 10.2.2 it is located in an OECD country belonging to the Group of Ten;
  - 10.2.3 it has at least investment grade rating;
  - 10.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.
- 11. **Appropriate information for money-market instruments**
  - 11.1 In the case of an approved money-market instrument within 10.1.2 or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 but is not guaranteed by a central authority within 10.1.1.1, the following information must be available:
    - 11.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
    - 11.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
    - 11.1.3 available and reliable statistics on the issue or the issuance programme.
  - 11.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 10.1.3, the following information must be available:
    - 11.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
    - 11.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
    - 11.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.
  - 11.3 In the case of an approved money-market instrument:
    - 11.3.1 within 10.1.1.1, 10.1.1.4 or 10.1.1.5; or
    - 11.3.2 which is issued by an authority within 10.1.1.2 or a public international body within 10.1.1.6 and is guaranteed by a central authority within 10.1.1.1;

information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

**12. Spread: general**

- 12.1 This rule on spread does not apply to government and public securities.
- 12.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.
- 12.3 Not more than 20% in the value of the Scheme Property is to consist of deposits with a single body.
- 12.4 Not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money-market instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the Scheme Property (covered bonds need not be taken into account for the purposes of applying the limit of 40%). For these purposes certificates representing certain securities are treated as equivalent to the underlying security.
- 12.5 The limit of 5% is raised to 25% in value of the Scheme Property in respect of covered bonds provided that when the Company invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property. The Company does not currently invest in covered bonds.
- 12.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank (as defined in the FCA Handbook).
- 12.7 Not more than 20% in value of the Scheme Property is to consist of transferable securities and approved money-market instruments issued by the same group.
- 12.8 Not more than 20% in value of the Scheme Property is to consist of the units of any one collective investment scheme.
- 12.9 The COLL Sourcebook provides that in applying the limits in 12.3, 12.4 and 12.6 and subject to 12.5, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:
  - 12.9.1 transferable securities (including covered bonds) or approved money-market instruments issued by; or
  - 12.9.2 deposits made with; or
  - 12.9.3 exposures from OTC derivatives transactions made witha single body.

**13. Spread: government and public securities**

- 13.1 The following section applies to government and public securities ("such securities").
- 13.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any



one issue.

13.3 The Company may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:

13.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Company;

13.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;

13.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues;

13.3.4 the disclosures required by the FCA have been made.

13.4 In giving effect to the foregoing object more than 35% of the Scheme Property may be invested in Government and other public securities issued or guaranteed by the Government of the United Kingdom, or Northern Ireland, the Scottish Administration, the Executive Committee of the Northern Ireland Assembly or the National Assembly of Wales, the Governments of Austria, Belgium, Cyprus, the Czech Republic, Estonia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, and Sweden, and the Governments of Australia, Canada, Japan, New Zealand, Switzerland or the United States of America, and securities issued by the European Investment Bank.

13.5 Notwithstanding 12.1 and subject to 13.2 and 13.3 above, in applying the 20% limit in paragraph 12.9 with respect to a single body, government and public securities issued by that body shall be taken into account.

#### 14. **Investment in collective investment schemes**

14.1 Up to 10% of the value of the Scheme Property may be invested in units or shares in other collective investment schemes ("Second Scheme") provided the Second Scheme satisfies all of the following conditions and provided that no more than 30% in value of the Scheme Property of the Company is invested in Second Schemes within 14.1.1.2- 14.1.1.4 below.

14.1.1 The Second Scheme must:

14.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

14.1.1.2 be recognised under the provisions of s.270 of the Financial Services and Markets Act 2000; or

14.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 19(1)(e) of the UCITS Directive are met);

14.1.1.4 be authorised in another EEA State provided the requirements of Article 19(1)(e) of the UCITS Directive are met; or

- 14.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:
- (a) signed the IOSCO Multilateral Memorandum of Understanding; and
  - (b) approved the Second Scheme's management company, rules and depositary/custody arrangements;
- (provided the requirements of article 19(1)(e) of the UCITS Directive are met).
- 14.1.2 The Second Scheme has terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes. Where the Second Scheme is an umbrella, the provisions in this paragraph 14.1.2, paragraph 14.1.3 and paragraph 12 (Spread: General) apply to each sub fund as if it were a separate scheme.
- 14.1.3 Investment may only be made in other collective investment schemes managed by the ACD or an associate of the ACD if the Prospectus clearly states that the Company may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
- 14.2 The Company may, subject to the limit set out in 14.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD or one of its associates.
- 14.3 If a substantial proportion of the Company's assets are invested in other collective investment schemes, the maximum level of management fees that may be charged by an investee collective investment scheme to the Company will be 6%.
15. **Investment in nil and partly paid securities**
- A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Company, at the time when payment is required, without contravening the rules in COLL 5.
16. **Derivatives: general**
- The Investment Manager may employ derivatives solely for the purposes of hedging in accordance with Efficient Portfolio Management.**
- Use of derivatives will not contravene any relevant investment objectives nor compromise the risk profile of the Company.**
- 16.1 A transaction in derivatives or a forward transaction must not be effected for the Company unless the transaction is of a kind specified in paragraph 18 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 29 (Cover for transactions in derivatives and forward transactions) of this Appendix.
- 16.2 Where the Company invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to COLL 5.2.11R (Spread: general) and COLL

5.2.12R (Spread: government and public securities) except for index based derivatives where the rules below apply.

- 16.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 16.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 16.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 16.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 16.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 16.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 16.6 Where the Company invests in an index based derivative, provided the relevant index falls within paragraph 19 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.

## 17. **Efficient Portfolio Management**

- 17.1 The Fund may use its property to enter into derivatives transactions for the purposes of hedging using efficient portfolio management (EPM) style techniques. The ACD does not anticipate the intended use of derivatives and forward transactions to have any detrimental effect on the overall risk profile of the Company.
- 17.2 Permitted EPM transactions (excluding stocklending transactions) are transactions in derivatives (i.e. options, futures or contracts for differences) dealt in or traded on approved derivative markets, forward transactions in currencies, off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances.
- 17.3 The Fund may enter into approved derivatives transactions on eligible derivatives markets. Eligible derivatives markets are markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the scheme property with regard to the relevant criteria set out in the Regulations and the guidance on eligible markets issued by the FCA (as amended from time to time). Any forward transaction must be with an approved counterparty. A derivatives or forward transaction which would or could lead to the delivery of Scheme Property to the Depositary in respect of the Fund may be entered into only if such Scheme Property can be held by the Fund and the ACD believes that the delivery of the property pursuant to the transaction will not lead to a breach of COLL.

- 17.4 There is no limit on the amount of the scheme property which may be used for EPM, but the transactions must satisfy three broad requirements as set out below.
- 17.4.1 A transaction must be reasonably believed by the ACD to be economically appropriate for the efficient portfolio management of the Fund. This means that, for transactions undertaken to reduce risk or cost (or both), the transaction alone or in combination will diminish a risk or cost of a kind or level which it is sensible to reduce, and, for a transaction undertaken to generate additional capital or income, the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from the transaction.
- 17.4.2 The purpose of a hedging or EPM transaction must be to achieve one of the following aims:
- (i) reduction of risk;
  - (ii) reduction of cost; or
  - (iii) the generation of additional capital or income with an acceptably low level of risk, in any case where the ACD reasonably believes that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.
- 17.4.3 Each hedging or EPM transaction must be fully covered by cash, near cash or other property sufficient to meet any obligation which could arise.
- 17.5 The eligible derivatives markets for the Company are set out in Appendix 3.
18. **Permitted transactions (derivatives and forwards)**
- 18.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 22 (OTC transactions in derivatives).
- 18.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the Company is dedicated:
- 18.2.1 transferable securities;
  - 18.2.2 approved money-market instruments permitted under paragraphs 7.1.1 to 7.1.4;
  - 18.2.3 deposits permitted derivatives under this paragraph;
  - 18.2.4 collective investment scheme units permitted under paragraph 14 (Investment in collective investment schemes);
  - 18.2.5 financial indices which satisfy the criteria set out in paragraph 19 (Financial indices underlying derivatives);
  - 18.2.6 interest rates;
  - 18.2.7 foreign exchange rates; and
  - 18.2.8 currencies.

- 18.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 18.4 A transaction in a derivative must not cause the Company to diverge from its investment objective as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 18.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 21.2 are satisfied.
- 18.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 18.7 A derivative includes an investment which fulfils the following criteria:
- 18.7.1 it allows transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 18.7.2 it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.2.6AR, including cash;
  - 18.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 22; and
  - 18.7.4 its risks are adequately captured by the risk management process of the ACD and by its internal control mechanisms in the case of risk asymmetry of information between the ACD and the counterparty to the derivative resulting from the potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 18.8 The Company may not undertake transactions in derivatives on commodities.
19. **Financial Indices underlying derivatives**
- 19.1 The financial indices referred to in 18.2 are those which satisfy the following criteria:
- 19.1.1 the index is sufficiently diversified;
  - 19.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 19.1.3 the index is published in an appropriate manner.
- 19.2 A financial index is sufficiently diversified if:
- 19.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 19.2.2 where it is composed of assets in which the Company is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and

- 19.2.3 where it is composed of assets in which the Company cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.
- 19.3 A financial index represents an adequate benchmark for the market to which it refers if:
- 19.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;
  - 19.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
  - 19.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.
- 19.4 A financial index is published in an appropriate manner if:
- 19.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
  - 19.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.
- 19.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 18.2, be regarded as a combination of those underlyings.
20. **Transactions for the purchase of property**
- 20.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if that property can be held for the account of the Company, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the COLL Sourcebook.
21. **Requirement to cover sales**
- 21.1 No agreement by or on behalf of the Company to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Company at the time of the agreement. This requirement does not apply to a deposit.
- 21.2 FCA Guidance states that the requirement set out in 21.1 above can be met where:
- 21.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
  - 21.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset classes:

- 21.2.2.1 cash;
  - 21.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
  - 21.2.2.3 other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).
- 21.3 In the asset classes referred to in paragraph 21.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.
- 22. **OTC transactions in derivatives**
- 22.1 Any transaction in an OTC derivative under paragraph 18.1 must be:
  - 22.1.1 in a future or an option or a contract for differences;
  - 22.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;
  - 22.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD carries out at least daily a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; and
  - 22.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
    - 22.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
    - 22.1.4.2 if the value referred to in 22.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
  - 22.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
    - 22.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or

22.1.5.2 a department within the ACD which is independent from the department in charge of managing the Company and which is adequately equipped for such a purpose.

22.1.6 For the purposes of paragraph 22.1.3 above, “fair value” is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms’ length transaction.

22.1.7 The Depositary must take reasonable care to ensure that the ACD has systems and controls that are adequate to ensure compliance with 22.1.2 to 22.1.5 above.

22.1.8 For the purposes of paragraph 22.1.3 the ACD must: (a) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposure of the Company to OTC derivatives; and (b) ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment. Such arrangements and procedures must be adequate and proportionate to the nature and complexity of the OTC derivative concerned and adequately documented.

## 23. **The commitment approach**

23.1 The global exposure of the Company is calculated by using the commitment approach in accordance with COLL. The ACD must ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives), whether used as part of the Fund’s investment policy, for the purposes of risk reduction or the purposes of efficient portfolio management and convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (the “standard commitment approach”).

23.2 The ACD may apply other calculation methods which are equivalent to the standard commitment approach. The ACD may also take account of netting and hedging arrangements when calculating the global exposure of the Fund, where such arrangements do not disregard obvious and material risks, and result in a clear reduction or risk exposure.

23.3 Where the reduction of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

23.4 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund need not form part of the global exposure calculation.

## 24. **Risk management**

24.1 The ACD uses a risk management process, enabling it to monitor and measure as frequently as appropriate the risk of the Company’s positions and their contribution to the overall risk profile of the Company.

24.2 The following details of the risk management process must be regularly notified by the ACD to the FCA (and at least on an annual basis):

24.2.1 The methods for estimating risks in derivative and forward transactions; and



- 24.2.2 A true and fair view of the types of derivatives and forward transactions to be used within the Company together with their underlying risks and any relevant quantitative limits.
- 24.3 In accordance with COLL the ACD maintains a written risk management policy which identifies the risks with which the Company is or might be exposed to, and contains procedures which are intended to enable the ACD to access and manage the exposure of the Company to material risks.
25. **Investment in deposits**
- 25.1 The Company may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.
26. **Significant influence**
- 26.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:
- 26.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or
- 26.1.2 the acquisition gives the Company that power.
- 26.2 For the purposes of paragraph 26.1, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).
27. **Concentration**
- The Company:
- 27.1 must not acquire transferable securities other than debt securities which:
- 27.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
- 27.1.2 represent more than 10% of these securities issued by that body corporate;
- 27.2 must not acquire more than 10% of the debt securities issued by any single issuing body;
- 27.3 must not acquire more than 25% of the units in a collective investment scheme;
- 27.4 must not acquire more than 10% of the approved money-market instruments issued by any single body; and
- 27.5 need not comply with the limits in paragraphs 27.2, 27.3 and 27.4 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

**28. Derivative exposure**

- 28.1 The Company may invest in derivatives and forward transactions as long as the exposure to which the Company is committed by that transaction itself is suitably covered from within the Scheme Property. Exposure will include any initial outlay in respect of that transaction.
- 28.2 Cover ensures that the Company is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Company must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Company is committed. Paragraph 299 (Cover for transactions in derivatives and forward transactions) below sets out detailed requirements for cover of the Company.
- 28.3 A future is to be regarded as an obligation to which the Company is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the Company is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
- 28.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

**29. Cover for transactions in derivatives and forward transactions**

- 29.1 Global exposure relating to derivatives and forward transactions held in the Company must not exceed the net value of the Scheme Property. Global exposure of the Company must be calculated on an at least daily basis, and must take into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions and includes underwriting commitments.
- 29.2 Property the subject of a transaction under paragraph 39 (stock lending) is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or reacquisition) in time to meet the obligation for which cover is required.
- 29.3 The global exposure of a Company must be calculated either as i) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives), which may not exceed 100% of the net value of the scheme property; or ii) the market risk of the scheme property (being the risk of loss of the Company resulting from the fluctuation in the market value of positions in the Company's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness).

**30. Cover and Borrowing**

- 30.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under paragraph 29 (Cover for transactions in derivatives and forward transactions) except where 30.2 below applies.
- 30.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal

to such borrowing for the time being in 30.1 on deposit with the lender (or his agent or nominee), then this paragraph 30.2 applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property.

**31. Cash and near cash**

31.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, where this may reasonably be regarded as necessary in order to enable:

31.1.1 the pursuit of the Company's investment objective; or

31.1.2 redemption of Shares; or

31.1.3 efficient management of the Company in accordance with its investment objectives; or

31.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Company.

**32. General**

32.1 It is envisaged that the Company will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in pursuit of the investment objective and policy, redemption of Shares, efficient management of the Company or any one purpose which may reasonably be regarded as ancillary to the investment objective of the Company.

32.2 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

32.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Company but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

32.4 The COLL Sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage the Company's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure with respect to over-the-counter ("OTC") derivatives; for example the Company may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The COLL Sourcebook also permits the Company to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in the Company) under certain conditions.

**33. Underwriting**

33.1 Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of the Company.

**34. General power to borrow**

- 34.1 The Company or the ACD, on the instructions of the Company, may and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.
- 34.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.
- 34.3 The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of the Company.
- 34.4 These borrowing restrictions do not apply to “back to back” borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

**35. Restrictions on lending of money**

- 35.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by the Company if it is paid to a person (“the payee”) on the basis that it should be repaid, whether or not by the payee.
- 35.2 Acquiring a debenture is not lending for the purposes of paragraph 35.1, nor is the placing of money on deposit or in a current account.
- 35.3 Nothing in paragraph 35.1 prevents the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

**36. Restrictions on lending of property other than money**

- 36.1 Scheme Property other than money must not be lent by way of deposit or otherwise.
- 36.2 Transactions permitted by paragraph 39 (Stock lending) are not to be regarded as lending for the purposes of paragraph 36.1.
- 36.3 The Scheme Property must not be mortgaged.
- 36.4 Nothing in this paragraph prevents the Company or the Depositary of the Company at the request of the Company, from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5.

**37. General power to accept or underwrite placings**

- 37.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation. This section applies, to any agreement or understanding: which is an

underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Company.

37.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.

37.3 The exposure of the Company to agreements and understandings as set out above, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the COLL Sourcebook.

## 38. **Guarantees and indemnities**

38.1 The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.

38.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

38.3 Paragraphs 38.1 and 38.2 do not apply to in respect of the Company:

38.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5; and

38.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;

38.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

38.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.

## 39. **Stock lending**

39.1 The entry into stock lending transactions or repo contracts for the account of the Company is permitted for the generation of additional income for the benefit of the Company, and hence for its Shareholders.

39.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.

- 39.3 The stock lending permitted by this section may be exercised by the Company when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income with an acceptable degree of risk.
- 39.4 The Company or the Depositary at the request of the Company may enter into a stock lending arrangement or repo contract of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty meets the criteria set out in COLL 5.4.4, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.
- 39.5 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 39.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Company.
- 39.7 There is no limit on the value of the Scheme Property which may be the subject of stock lending transactions or repo contracts.

## APPENDIX 2 – Eligible Markets

### (a) Eligible Securities Markets

The property of the Fund may be invested in the eligible securities markets (namely, those markets established in the following countries and on which transferable securities admitted to official listing are dealt in or traded) of:

The United Kingdom and any other EEA State (which as at the date of this Prospectus includes Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Republic of Cyprus, Romania, Slovakia, Slovenia, Spain and Sweden)

United States of America	NYSE NASDAQ Stock Exchange NYSE MKT
Australia	Australian Securities Exchange
Canada	Toronto Stock Exchange TSX Venture Exchange
Hong Kong	The Stock Exchange of Hong Kong
Japan	Tokyo Stock Exchange Osaka Securities Exchange
Korea	Korea Exchange
New Zealand	New Zealand Exchange
Singapore	Singapore Exchange
South Africa	Johannesburg Stock Exchange
Switzerland	SIX Swiss Exchange
Thailand	Stock Exchange of Thailand
United Kingdom	London Stock Exchange The Alternative Investment Market of the London Stock Exchange (AIM)

### (b) Eligible Derivatives Markets

Subject to the constraints of the Fund's investment objective the eligible derivative markets for the Fund are:

NYSE Amex Options  
New York Mercantile Exchange  
Chicago Board of Trade  
ICE Futures US  
Chicago Board Options Exchange  
Chicago Mercantile Exchange  
Euronext Amsterdam  
NYSE Arca Options  
NASDAQ PHLX  
ICE Futures Europe

### APPENDIX 3 - Further Information

**Marlborough Fund Managers Limited acts as Authorised Corporate Director in relation to the following OEIC's:**

Marlborough OEIC:

Marlborough Defensive Fund

Marlborough No2 OEIC:

Marlborough Far East Growth Fund

Marlborough Multi-Cap Income Fund

Marlborough Nano-Cap Growth Fund

Marlborough ETF OEIC:

Marlborough ETF Commodity Fund

Marlborough ETF Global Growth Fund

Junior Gold

MFM Techinvest Special Situations Fund

MFM Techinvest Technology Fund

MFM UK Primary Opportunities Fund

**Marlborough Fund Managers Limited acts as Authorised Unit Trust Manager in relation to the following authorised unit trusts:**

Junior Oils Trust

Marlborough Balanced Fund

Marlborough Bond Income Fund

Marlborough Cautious Fund

Marlborough Emerging Markets Trust

Marlborough European Multi-Cap Fund

Marlborough Extra Income Fund

Marlborough Global Fund

Marlborough Global Bond Fund

Marlborough High Yield Fixed Interest Fund

Marlborough Special Situations Fund

Marlborough UK Micro-Cap Growth Fund

Marlborough UK Multi-Cap Growth Fund

Marlborough US Multi-Cap Income Fund

MFM Bowland Fund

MFM Hathaway Fund



**The directors of Marlborough Fund Managers Limited are:**

**Andrew Staley**

In addition to his role as director of the Manager, Mr Staley also acts as managing director of Marlborough Investment Management Limited and is a director of Investment Fund Services Limited, Novia Global Limited, Marlborough Investment Management (UK) Limited, Marlborough Unit Trust Managers Limited, Marlborough Group Holdings Limited, MFM Unit Trust Managers Ltd, UK Travel Limited, Continuum DFM Limited and UFC Fund Management PLC.

**Nicholas FJ Cooling**

In addition to his role as director of the Manager, Mr Cooling also acts as the investment director of Marlborough Investment Management Limited and is a director of Investment Fund Services Limited, Marlborough Investment Management (UK) Limited, Marlborough Unit Trust Managers Limited, Marlborough Group Holdings Limited, MFM Unit Trust Managers Limited, UFC Fund Management PLC, My Continuum Financial Limited, Continuum DFM Limited, UK Travel Limited and Spinney Lodge Freehold Management Limited.

**Allan Hamer**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited, MFM Unit Trust Managers Limited, IFSL Professional Services Limited, IFSL Administration Limited and Marlborough International Fund PCC Limited.

**Wayne D Green**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited, IFSL Platform Services Limited, IFSL Platform Service Providers Limited, Techinvest Limited, IFSL International Limited, IFSL ICAV, Marlborough International Management Limited, MFM Unit Trust Managers Limited, IFSL Professional Services Limited and IFSL Administration Limited.

**Geoffrey R Hitchin**

**Dominique Clarke**

Also a director of Investment Fund Services Limited, IFSL Platform Services Limited, IFSL Platform Service Providers Limited, Techinvest Limited, IFSL International Limited, IFSL ICAV, UFC Fund Management International Holdings Limited, MIM DFM Limited, MIM Discretionary FM Limited, Marlborough Fund Managers Limited, MFM Unit Trust Managers Limited, IFSL Professional Services Limited, IFSL Administration Limited and Philotas Limited.

**Helen Derbyshire**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited and IFSL Administration Limited.

**Richard Goodall**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited and Novia Global Limited.

**Guy Sears** - Non-executive director

Also a non-executive director of Investment Fund Services Limited.

**David Kiddie** - Non-executive director

Also a non-executive director of Investment Fund Services Limited.

## **APPENDIX 4 - Directory**

### **The Company and Head Office:**

MFM Techinvest Technology Fund  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

### **Authorised Corporate Director:**

Marlborough Fund Managers Limited  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

### **Depositary:**

HSBC Bank Plc  
8 Canada Square  
London  
E14 5HQ

### **Investment Manager:**

Techinvest Limited  
Merchants House  
27/30 Merchants Quay  
Dublin 8  
Ireland  
Republic of Ireland

### **Registrar:**

Marlborough Fund Managers Limited  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

### **Auditors:**

Barlow Andrews  
78 Chorley New Road  
Bolton  
BL1 4BY

## APPENDIX 5 - List of Depositary Delegates

Depositary Delegates	
Austria	UniCredit Bank Austria AG
Austria	Erste Group Bank Ag
Belgium	BNP Paribas Securities Services (Belgium)
Belgium	Euroclear Bank S.A./N.V.
Bulgaria	UniCredit Bulbank AD
Croatia	Privredna Banka Zagreb
Cyprus	HSBC Bank Plc, Athens
Czech Republic	Ceskoslovensak Obchodni Banka
Czech Republic	Unicredit Bank Czech Republic, A.S.
Denmark	Skandinaviska Enskilda Banken AB (publ), Copenhagen Branch
Estonia	AS SEB Pank
Finland	Skandinaviska Enskilda Banken AB (publ.), Helsinki Branch
France	CACEIS Bank
France	BNP Paribas Securities Services (France)
Germany	HSBC Trinkaus & Burkhardt
Greece	HSBC Bank Plc
Hungary	Unicredit Bank Hungary Zrt
Ireland	HSBC Bank Plc
Italy	BNP Paribas Securities Services (Italy)
Latvia	AS SEB Banka
Lithuania	SEB Bankas
Luxembourg	Clearstream Banking SA
Netherlands	BNP Paribas Securities Services (Netherlands)
Norway	Skandinaviska Enskilda Banken AB (publ) Oslo Branch
Poland	Bank Polska Kasa Opieki SA
Portugal	BNP Paribas Securities Services (Portugal)
Romania	Citibank Europe plc, Romania branch
Slovakia	Ceskoslovenska Obchodna Banka A.S.
Slovenia	Unicredit Banka Slovenija DD

Spain	BNP Paribas Securities Services (Spain)
Sweden	Skandinaviska Enskilda Banken AB (publ.)
United Kingdom	Deutsche Bank AG (London Branch)
United Kingdom	JPMorgan Chase Bank NA (London)
United Kingdom	HSBC Bank Plc (UK)
United Kingdom	State Street Bank & Trust Co (UK)
United Kingdom	UBS AG, London branch
Australia	HSBC Bank Australia Ltd
Canada	Royal Bank of Canada
Hong Kong	The Hongkong and Shanghai Banking Corporation Ltd (HK)
Japan	The Hongkong and Shanghai Banking Corporation Ltd (Japan)
New Zealand	The Hongkong and Shanghai Banking Corporation Ltd (New Zealand)
Singapore	The Hongkong and Shanghai Banking Corporation Ltd (Singapore)
South Africa	Standard Bank of South Africa Ltd
South Korea	The Hongkong and Shanghai Banking Corporation Ltd (South Korea)
Switzerland	Credit Suisse AG
Switzerland	UBS AG
Thailand	The Hongkong and Shanghai Banking Corporation Ltd (Thailand)
United States	HSBC Bank (USA) NA
United States	Brown Brothers Harriman & Co
United States	Citibank, N.A. (USA)
United States	The Bank of New York Mellon Corporation
United States	JPMorgan Chase Bank NA